Grant Thornton

The Audit Findings for Oadby & Wigston Borough Council

Year ended 31 March 2023

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Grant Patterson

For Grant Thornton UK LLP

Date: 10 April 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Oadby & Wigston Borough Council Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed on site and remotely during October 2023 – March 2024. Our findings are summarised on pages 6 to 22.

We have identified 9 adjustments to the financial statements that have resulted in an £896k adjustment to the Council’s Comprehensive Income and Expenditure Statement. Due to the nature of local government accounting this leads to a net improvement in the Council’s general fund position at 31 March 2023 of £193k, although the majority of this is related to an earlier recognition of grant income that the Council had already budgeted for. Audit adjustments are detailed in Appendix E.

There is one net item of £69k in relation to an overstatement of the Council’s net pensions liability (see page 11) which management are not proposing to adjust for on the basis that it is not material quantitively or qualitatively. The Audit Committee, as those charged with governance, is asked to confirm its agreement to management’s proposal.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year’s audit are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- approval and receipt of the signed management representation letter (on the agenda for the meeting this report is being presented at); and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources for the 2022/23 financial year (see page 4).

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work, which is summarised on page 23, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the 2022/23 financial year. Our interim report was presented to the Audit Committee on 24 January 2024 and Full Council on 22 February 2024. We would note that at those same meetings we presented an "immediate report" in respect of arrangements in 2023/24 where we had identified a significant weakness in arrangements in respect of financial sustainability. This will be followed up further as part of our 2023/24 audit work and does not impact upon our conclusions for 2022/23.

Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion
Significant matters	We have encountered instances, mainly in relation to the Collection Fund, where the finance team have struggled to provide suitable audit trails to support balances in the financial statements and our testing. More details of these issues can be found on page 13 The Council has experienced a significant turnover of officers within the finance team over the past 18 months. It has relied upon interim officers to cover these posts while recruitment is underway and we understand that offers for permanent positions have been made. The use of interim appointments is appropriate but there is the inherent risk of a loss of corporate knowledge. The Council experienced the realisation of this risk in 2020/21 and will need to continue to monitor and manage the position to ensure it does not again materialise as part of the 2023/24 closedown and into 2024/25 as transition to the new team occurs.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see **About time? (grantthornton.co.uk)**

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 10 April 2024, These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in January 2024

We set out in this table our determination of materiality for Oadby & Wigston Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£480,000	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 1.55% of prior year gross expenditure.
Performance materiality	£310,000	Based on the internal control environment at the Council we determined that 65% of headline materiality would be an appropriate benchmark.
Trivial matters	£24,000	We decided that matters below 5% of materiality were trivial.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	£8,800	We identified senior management remuneration as a sensitive item and set a lower materiality of £8,800 for testing these items which is approximately 1.55% of expenditure.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Fraud in revenue recognition (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition, • opportunities to manipulate revenue recognition are very limited, and • the culture and ethical frameworks of local authorities, including Oadby & Wigston Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for Oadby & Wigston Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.
The expenditure cycle includes fraudulent transactions (rebutted)	Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate expenditure recognition, • opportunities to manipulate expenditure recognition are very limited, and • the culture and ethical frameworks of local authorities, including Oadby & Wigston Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for Oadby & Wigston Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Whilst not a significant risk, as part of our audit work we have undertaken work on material expenditure items. Our work has not identified any matters that would indicate our rebuttal was incorrect.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course the course of business as a significant risk of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness The Council processed 39,973 journals during the financial period. As part of the control environment a transaction listing is maintained by the Council that contains details about each journal raised including who the creator and approvers of each journals is to ensure segregation of duties. However, upon further examination we identified that this information was manually input into the listing raising the potential that this information could be incorrect. As a result of this issue we challenged management and have subsequently confirmed that the general ledger system does automatically record the creator and approver against each journal. We were able to obtain reports from Academy showing who was automatically recorded on the system as the creator and approver of each journal; we then ensured this agreed to the transaction listing provided to ensure we could rely on this control. No issues were identified but we have made an improvement recommendation that the Council use the system report in future as part of the control arrangements.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings This valuation represents a significant estimate by management in the financial statements due to the size of the number involved and the sensitivity of this estimate to changes in key assumptions. Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statement date. **Land and Buildings** The Council contracts an expect to provide annual valuations of its land and buildings. Within the valuation of the Council's Other Land and Buildings, the valuer's estimation of the value has several key inputs which the valuation is sensitive to. These include the build costs of relevant assets carried at depreciated historic cost and any judgements that have impacted this assessment and the condition of the current assets. For assets valued at existing use value and fair value, the key inputs into the valuation are the yields used in the valuation, including estimated future income of from the asset. We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk. **Council Dwellings** The Council contracts an expert to provide annual valuations of council dwellings based on guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC). They are valued using a beacon approach, based on existing use value discounted by the relevant social housing factor. Dwellings are divided into asset groups (a collection of properties with common characteristics) and further divided into archetype groups based on uniting characteristics material to their valuation, such as number of bedrooms. A sample property , the "beacon" is selected which is considered to be representative of the archetype group and a detailed inspection carried out. The valuation of this asset is then applied to all assets within its archetype. The key inputs into the valuation are the social housing factor, consideration of market movements and the determination of the beacons. We therefore have identified that the accuracy of the key inputs driving the valuation of council dwellings as a significant risk.	We: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation experts • wrote to the valuers to confirm the basis on which the valuations were carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register, and • challenged the data and assumptions used in the valuations and agreed them back to auditor obtained supporting data Our audit work in relation to the revaluations has not identified any issues. Our detailed assessment of the estimation process is described on pages 14 and 15 of the report. As part of our testing of the accounting for Land & Buildings and Council Dwellings we identified the following issues which have been adjusted for within the updated financial statements (see page 32): • The Council had included the incorrect value in the Blaby Road Park Pavilion in the financial statements (£28k) • The revaluation gains for Assets Held for Sale were incorrectly accounted for. They were fully recognised in the CIES (£240k)when part of the gain should have been recognised in the Revaluation Reserve (£115k) We also noted that the Council has an internal working paper to calculate the accounting entries for Council Dwellings disposals, including estimating the value of smaller component areas (such as kitchen fittings) to be written out. The embedded formula used has been unchanged for a number of years. Given the low level of disposals in the year (£127k) we are satisfied that the accounts are not materially misstated but management has agreed to review the formula in 2023/24 to ensure it remains fit for purpose.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the net defined benefit pension fund liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • requested assurances from the auditor of Leicestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our review of the pension fund liabilities identified that the movement in the CIES and the closing balance sheet did not agree to the IAS19 report provided by the pension fund actuary (Understatement of £1.046m). Officers have agreed to amend the accounts to reflect the IAS19 report and this adjustment can be found in Appendix D. The pension fund auditor of the Leicestershire Pension Fund identified two issues:- • The estimated rate of return on investments used by the Actuary in the IAS19 differed from the actual rate of return achieved by the pension fund. This resulted in an overstatement of the pension fund assets. • Timing issues were identified in the valuation of pension fund assets. This resulted in the pension fund assets being understated. The net impact of these for the Council is an overstatement of the pension liability of £69k. This is included as an unadjusted misstatement in Appendix D Subject to the amendments being made to reflect the IAS19 report, we are satisfied that the valuation of pension fund liability is free from material misstatement.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies **Our review of the Council's IT general controls identified the following issues.**	**General Ledger (Integra2)** We have identified that there is no review of activities, performed by individuals with superuser access (Admins) to Integra2. **New User Account Creation** The process for an account set up does not include creation and authorisation, before the account goes live. There also does not seem to exist a proper access authorisation process with access areas appointed by a Senior manager or an account log in report. Management should consider the controls in place to make sure that accounts are set up correctly and relevant access is provided to employees and there is transparency of their activity on the system.	There is a risk that superusers could be making unauthorised changes to the system without management being aware. Management should consider whether a central review of all superuser activity could be undertaken to mitigate the risk of undetected unauthorised activity. Management should consider the controls in place to make sure that accounts are set up correctly and relevant access is provided to employees and there is transparency of their activity on the system.
Grants Received in Advance (GRIA) (£1.367m)	Our testing of initial testing of Grants Received in Advance identified 2 grants (£285k) that did not meet the criteria for being recognised as a grant received in advance. As a result we have had to undertake additional testing to gain sufficient assurance over the remaining balance. This testing identified a further grant (£50k) that did not meet the criteria. Grants should only be recognised as a grant received in advance when there are conditions attached to the grants that have not been satisfied. In the three cases above there were no outstanding conditions.	There is a risk that the Council is not accounting for Grants Received in Advance correctly and therefore not recognising all of the income within the CIES. Officers have amended the financial statements for these errors and we have included a recommendation in Appendix B
Short Term Debtors (3.798m)	Our testing of Short Term Debtors identified 2 errors within the debtors balance: • There was a credit balance of (£140k) in relation to 2021/22 Collection Fund. This should have been reversed during the 2022/23 year but was left in which caused an understatement of the Council's debtors by £140k. • The Miscellaneous Debtors Balance was overstated (£206k). It included a balance relating to 2 payments which the Council received from Leicestershire County Council (LCC) in 2020/21 for business Rates bills. These were confirmed to be overpayments made to the Council and were subsequently repaid to LCC in April 2022.	The Council have amended the financial statements for the two errors identified. These are included in Appendix D.

2. Financial Statements: new issues and risks (cont)

Issue	Commentary	Auditor view
Collection Fund Reports	We have identified a number of issues in obtaining audit trails and transaction listings in relation to the Collection Fund. Due to the nature of the Council Tax and NNDR system certain reports (e.g. NNDR / CTAX arrears, accounts in receipt of discounts / reliefs) cannot be run retrospectively and must be run on the day. Officers have been able to produce acceptable audit trails by pulling together information from various system reports but this has involved a significant amount of work from officers and significantly more audit input to gain the necessary assurances.	There is a risk that year end reports for Council Tax and NNDR system are not run on a timely basis resulting in officers being unable to provide sufficient evidence to support figures in the financial statements.
Change in useable capital receipts	The draft accounts included the proposed use of £300k of useable capital receipts to fund the redevelopment of Brocks Hill. As reported to members through the capital sub-group the funding of the redevelopment of Brocks Hill is now to be supported by borrowing. The 2022/23 accounts have been amended to reflect this. This will have a revenue impact in 2023/24 and subsequent years.	The change to methods of funding capital expenditure is within the Council's discretion and consistent with the Council's transformation strategy.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £24.643m	Other land and buildings comprises of: • specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision, and • assets not specialised in nature which are required to be valued at existing use in value (EUV) at year end. The Council has engaged Innes England to complete the valuation of properties as at 31 March 2023, this includes all assets which are required to be measured at fair value. In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs and internal floor areas; and for both EUV and DRC assets: condition assessments from inspections carried out and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required. Management have demonstrated through correspondence with the valuer their challenge of assumptions used in the estimation of asset values. The valuation of properties valued by the valuer has resulted in a net increase of £0.556m.	• We are satisfied that management's expert, is competent, capable and objective • We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations • We have validated sources of information used by management and the valuer for a selection of assets • We have analysed the method, data and assumptions used by management to derive the estimate and are satisfied they are appropriate • We have reviewed and are satisfied with management's assessment that assets not valued are not materially misstated • The estimate is adequately disclosed in the financial statements. Our work has not identified any issues.	**We consider management's process is appropriate and key assumptions are neither optimistic or cautious** **(Light Purple)**

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £78.299m	The Council owns 1,183 dwellings and is required to revalue these properties in accordance with DCLG's (now DLUHC) Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Innes England to complete the valuation of these properties at 31 March 2023. The year end valuation of Council Housing was £78.299m.	• We are satisfied that management's expert, is competent, capable and objective • The housing stock was revalued during the year. The stock base has been split into geographical areas and beacon properties selected to represent the groupings • For a sample of housing assets, we have agreed the beacon assigned to the property system and comparable market data. • We have considered the completeness and accuracy of the underlying information used to determine the estimate. Our work has not identified any issues.	**We consider management's process is appropriate and key assumptions are neither optimistic or cautious** **(Light Purple)**

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £5.337m	The Council's net pension liability at 31 March 2023 is £5.337m (PY £22m) comprising the Leicestershire Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements. There has been a £22.3m net actuarial gain during 2022/23.	We have: • Undertaken an assessment of management's expert; • Reviewed and assessed the actuary's roll forward approach taken; • Used PwC as auditor's expert to assess actuary and assumptions made by actuary, summarised below;	**We consider management's process is appropriate and key assumptions are neither optimistic or cautious** **(Light Purple)**

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7%-4.9%	(G)
Pension increase rate	3.5%	3.5% for all employers	(G)
Salary growth	3.0%	CPI to CPI + 1%	(G)
Life expectancy – Males currently aged 45/65	45: 21.4 65: 21.7	21.4 – 24.3 21.0 – 22.6	(G)
Life expectancy – Females currently aged 45/65	45: 25.8 65: 24.3	25.3 - 26.6 23.5 - 24.7	(G)

- Gained assurance on the completeness and accuracy of the underlying information used to determine the estimate
- Considered the impact of any changes to valuation method
- Assessed the reasonableness of:
  - the Council's share of Leicestershire Pension Fund's pension assets.
  - the decrease in estimate, and
  - the adequacy of disclosures of the estimate in the financial statements.

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation and Useful Economic Lives (UEL) of Fixed Assets	Management set out to depreciate items of property, plant and equipment over their remaining useful lives in a manner consistent with the consumption of economic or service deliver benefits. Appropriate componentisation is used in calculating depreciation. Freehold land is considered to have an infinite life and is not depreciated. Assets under construction are also not depreciated in line with the CIPFA Code. Depreciation for the year 2022/23 was estimated to be £3.409m (£3.397m in 2021/22) Depreciation is calculated in reference to management's assessment of the expected useful life of each asset.	We have: • Evaluated management's processes around depreciation • Evaluated the application of the accounting policy to ensure it has been applied consistently and appropriately • Assessed the reasonableness of the depreciation charge in year. **Findings** We consider that management's assumptions are neither optimistic or cautious. However, our review of the UEL of Vehicle, Plant & Equipment Assets identified that a number of assets totalling £4.45m were fully depreciated. IAS 16 - Property, Plant & Equipment (paragraph 51) requires that the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate. For the remaining balance we recommend that the Council reviews their useful economic lives. If no longer in use the assets should be written out.	**We consider management's process is appropriate and key assumptions are neither optimistic or cautious** **(Light Purple)**

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £530k	The Council is responsible on an annual basis for determining the prudent amount to be charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £530k, a net decrease of £303k from 2021/22. The decrease is related to the change in MRP policy for unsupported debt agreed by Full Council on 21 December 2021 when the Council moved to a weighted average asset life approach for 2022/23 onwards. This method is permitted under the statutory guidance and the Council has considered prudence in its decision-making.	In prior years we have reported upon the apparent inconsistency in the wording of the Council's MRP policy when applying it to the calculation of MRP. The Council's published MRP Policy states that for debt supported through revenue support grant (c£2.6m at Oadby & Wigston BC) MRP is to be calculated using the CFR (Capital Financing Requirement, as defined in the Prudential Code) method (Option 2). The statutory guidance states that using this method 4% of the non-housing CFR for the preceding financial year should be used. However, the Council's policy states that whilst Option 2 should be applied 2% should be used. Paragraph 23 of the guidance notes that it does not rule out or otherwise preclude a local authority from using an alternative method should it decide that it is more appropriate but paragraph 28 then advises that where a local authority changes the method(s) that it uses to calculate MRP, it should explain in its Statement, why the change will better allow it to make prudent provision. We have been challenging the Council as to whether it has been applying its policy correctly, as if 4% should have been applied then the Council has under- provided for the year of £52k and a total under-provision for the life of the policy of £214k. Through review of documents and discussions with management we are now satisfied that the Council's intention (and what it has been applying in practice) was for its policy to move to 2% from 2020/21 and that this does not appear imprudent. On this basis we have no longer recorded this as an unadjusted misstatement but, as noted above, the rationale for the prudent provision should be included within its policy and references to statutory guidance should be aligned at the next opportunity.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (Blue)

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Expected Credit Loss	The Council does not allow credit for customers, such that all of the debtor's balance is past its due date for payment. The Council sets aside a provision for non-payment of these debtors based on the age of debt and the historic experience of default on these balances. For 2022/23 the Council reviewed the % used to calculate these provisions and amended the % set aside for sundry and Housing Benefit debtors. **Sundry Debtors (£117k)** Days / 0-90 / 91-180 / 181-365 / 365+ 2021/22 / 0% / 10% / 20% / 50% 2022/23 / 0% / 15% / 30% / 55% **Housing Benefit (£294k)** Days / 0-90 / 91-180 / 181-365 / 365+ 2021/22 / 0% / 10% / 20% / 65% 2022/23 / 0% / 25% / 35% / 80%	We have: • Evaluated management's processes around calculating expected credit losses • Evaluated the application of the accounting policy to ensure it has been applied consistently and appropriately • Assessed the reasonableness of the provisions for the year. Findings We consider that management's assumptions are neither optimistic or cautious. However, officers were unable to provide evidence to support the increase in % rate in the provisions for Sundry and Housing Benefit debtors. The only explanation provided was that it was increased to take into account the impact of higher inflation and increase in cost of living. Going forward the if there are any changes in % rate the reasons for this change should be documented and approved by senior member of the finance team. We have included a recommendation for this in the action plan in Appendix B.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (Blue)

Sundry Debtors (£117k)

Days	0-90	91-180	181-365	365+
2021/22	0%	10%	20%	50%
2022/23	0%	15%	30%	55%

Housing Benefit (£294k)

Days	0-90	91-180	181-365	365+
2021/22	0%	10%	20%	65%
2022/23	0%	25%	35%	80%

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bodies with which the Council hold cash and cash equivalent balances, investments and borrowings. This permission was granted and the requests were sent and received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements: other communication requirements

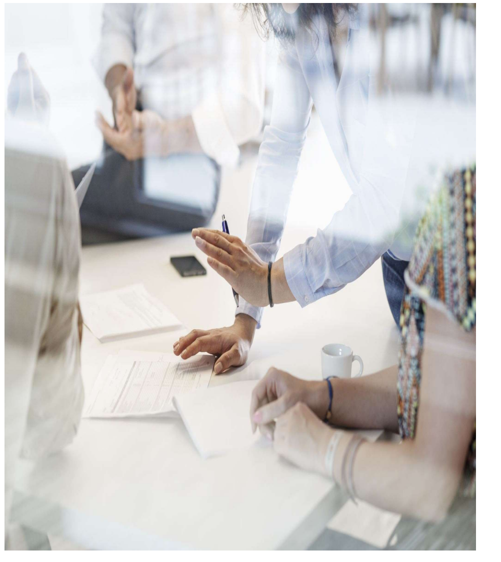
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The NAO sets a threshold within its group instructions below which detailed procedures are not required. As in previous years, the Council is below the threshold and therefore we are not required to carry out detailed audit work over the WGA return.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Oadby & Wigston Borough Council in our auditor's report.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report. Our interim report was presented to the Audit Committee on 24 January 2024 and Full Council on 22 February 2024. Our final report will be published alongside our auditor's report. The only changes to the interim report will be the addition of the summary of the work contained within this AFR, which we are satisfied does not impact upon our value for money conclusions.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the 2022/23 financial year.

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit (Subsidy) Assurance Process 2021/22 (June 2022 – January 2023)	14,500	For these two audit-related services. We consider that the following perceived threats may apply: • Self-Interest (because this is a recurring fee) • Self Review • Management	The level of this recurring fee taken on their own are not considered a significant in comparison to the to the total fee for the audit of £59,544 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level. Our team have no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements and is performed after the audit of the financial statements has been completed. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management
Housing Benefit (Subsidy) Assurance Process 2022/23 (January – March 2024)	18,800		
Certification of Pooling of Housing Capital Receipts return 2021/22 (January – March 2023)	7,500		
Certification of Pooling of Housing Capital Receipts return 2022/23 (January – March 2024)	10,000		
Non-audit related			
None			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group’s board, senior management or staff

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 8 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Minimum Revenue Provision** From our review of the Council's Minimum Revenue Provision (MRP) we identified that the Council's published MRP Policy states that they are using Option 2 for supported debt. Using this option MRP is calculated using the CFR (Capital Financing Requirement, as defined in the Prudential Code) method. The statutory guidance states this should be 4% of the non-housing CFR for the preceding financial year. However, the Council's policy states that 2% should be used. The guidance does allow the Council to amend the percentage rate, however the MRP Policy does not explain that they are doing this or the basis for the amendment.	The Council should review its MRP policy to ensure that it documents compliance with statutory guidance and that it explains the basis for the calculation. **Management response** Since the application of the 2% applies to historical debt only, the current assessment is that the provision remains prudent. However, to ensure the Council remains in line with statutory guidance, this position, and the related policy for MRP will be reviewed.
Medium	**Useful Economic Lives** Our review of the Useful Economic Lives Vehicle, Plant & Equipment Assets that a number of assets totalling £4.45m were fully depreciated. In some cases the assets were no longer in use by the Council.	IAS 16 - Property, Plant & Equipment (paragraph 51) requires that the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate. For the remaining balance we recommend that the Council reviews their useful economic lives to ensure that they remain appropriate. **Management response** This recommendation will be taken forward with a thorough review of the asset register to purge assets no longer in use and ensure they are written out accordingly.
Medium	**Expected Credit Losses** The Council does not allow credit for customers, such that all of the debtor's balance is past its due date for payment. The Council sets aside a provision for non-payment of these debtors based on the age of debt and the historic experience of default on these balances. For 2022/23 the Council reviewed the % used to calculate these provisions and amended the % set aside for sundry and Housing Benefit debtors, however the reasons for these changes were not documented.	For any future any changes in % rate the reasons for this change should be documented and approved by senior member of the finance team. **Management response** For 2023/24, all % changes will be referred to CFO for sign off.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**IT controls – General Ledger** We identified that there is no review of activities, performed by individuals with superuser access (Admins) to Integra2. There is a risk that superusers could be making unauthorised changes to the system without management being aware.	Management should consider whether a central review of all superuser activity could be undertaken to mitigate the risk of undetected unauthorised activity. **Management response** The key risks have been identified as Supplier Amendments and Authorisation levels changes and these are now being reviewed monthly. Other risks will be considered and managed in the same way.
Medium	**IT Controls – New User Access** The process for an account set up does not include creation and authorisation, before the account goes live. There also does not seem to exist a proper access authorisation process with access areas appointed by a Senior manager or an account log in report.	Management should consider the controls in place to make sure that accounts are set up correctly and relevant access is provided to employees and there is transparency of their activity on the system. **Management response** The process of setting up new users is being reviewed including ledger access and their authorisation levels. This now requires manager sign off.
Medium	**Grants Received in Advance** Grants should only be recognised as a Grant Received in Advance when there are conditions attached to the grants that have not been satisfied. Our testing of testing of Grants Received in Advance identified 3 grants where there were no unsatisfied conditions and should therefore not have been recognised as a Grant Received in Advance	Management should review all grants classified as received in advance to ensure that they still meet the criteria for this recognition and still have unsatisfied grant conditions. **Management response** All income received into GRIA is now closely scrutinised to ensure past errors are not repeated. Staff training has also continued to reduce risk of errors.
Medium	**Collection Fund Audit Trails** We have identified a number of issues in obtaining audit trails and transaction listings in relation to the Collection Fund. Due to the nature of the Council Tax and NNDR system certain reports (e.g. NNDR / CTAX arrears, accounts in receipt of discounts / reliefs) cannot be run retrospectively and must be run on the day. Officers have been able to produce acceptable audit trails by pulling together information from various system reports but this has involved a significant amount of work for both officers and auditors.	Management should ensure that the all the required system reports from the Council Tax and NNDR system are run on a timely basis. **Management response** The finance team and Revenue and Benefits team managers co-ordinate year end including when the reports are run. This run-off date has been communicated to the external auditors for agreement.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Oadby & Wigston Borough Council's 2021/22 financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially	From our review of the Council's Minimum Revenue Provision (MRP) we identified 2 issues: • The Council's published MRP Policy states that for supported debt MRP is calculated using the CFR (Capital Financing Requirement, as defined in the Prudential Code) method. The statutory guidance states this should be 4% of the non-housing CFR for the preceding financial year. However, the Council's policy states that 2% should be used This has resulted in an under- provision for the year of £53k and a total under-provision for the life of the policy of £162k. • For unsupported debt the Council's policy states that MRP should be calculated using the 'Annuity Method', however the Council has used the 'Equal Instalments Method'. This has resulted in a trivial difference of £1.5k	We have been challenging the Council as to whether it has been applying its policy correctly, as if 4% should have been applied then the Council has under- provided for the year of £52k and a total under-provision for the life of the policy of £214k. Through review of documents and discussions with management we are now satisfied that the Council's intention (and what it has been applying in practice) was for its policy to move to 2% from 2020/21 and that this does not appear imprudent. On this basis we have no longer recorded this as an unadjusted misstatement but, as noted on page 18, the rationale for the prudent provision should be included within its policy and references to statutory guidance should be aligned at the next opportunity.
X	Our review of the Useful Economic Lives Vehicle, Plant & Equipment Assets that a number of assets totalling were fully depreciated. In some cases the assets were no longer in use by the Council.	Due to the timing of reporting the findings of 2021/22 the Council have not had time to complete a review of fully depreciated assets. We have included a recommendation for this issue again for 2022/23

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Pension Liability Our testing of the pension liability identified that the movements in the liability based on the IAS19 report had not be accounted for correctly.	Dr Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities £1,046	Cr Other Long Term Liabilities (£1,046) Dr Pension Fund Reserve £1,046	£1,046	-
Revaluation Gain – Oadby Swimming Pool Oadby Swimming Pool was reclassified from Investment Property to Assets Held for Sale during the year. As part of our work on PP&E revaluations we identified that the revaluation gain for Oadby Swimming Pool was accounted for incorrectly due to the change in category.	Cr (Surplus)/Deficit arising on Revaluation of Plant, Property and Equipment Assets (£115)	Cr Revaluation Reserve (£115) Dr Capital Adjustment Account £115	(£115)	-
Property, Plant & Equipment – Closing Balance As part of our testing on the fixed asset register we identified that the closing balance for Blaby Road Park Pavillion was incorrect.	Dr (Surplus)/Deficit arising on Revaluation of Plant, Property and Equipment Assets £28	Cr PPE (28) Dr Revaluation Reserve £28	£28	-
Grants Received in Advance (GRIA) Our testing grants received in advance identified 3 grants (£336k) that should not have been classified as received in advance.	Cr The Built Environment – Income (£286)	Dr Grants Received in Advance £336 Cr Short Term Creditors (£50) Cr General Fund (£286)	(£286)	(£286)
Overall impact (Cfwd)	**£673**	**£0**	**£673**	**(£286)**

D. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Overall impact (Bfwd)	**£673**	**£0**	**£673**	**(£286)**
Property, Plant & Equipment Correction of entries relating Customer Service Centre adjustment (£114k) made in 21/22 but not reflected in the draft 22/23 accounts due to timing of 21/22 audit and depreciation charged for 22/23 on the assets (£38k)	Dr Customer, Services & Business Transformation Expenditure £38	Cr PPE(£76) Dr Capital Adjustment Account £76	£38	-
Long Term Debtors Correction of Long Term Debtors to reflect settlement of Bushloe Development Debtor	Dr Finance and Resources – Expenditure £73	Cr Long Term Debtors (£73) Dr General Fund £73	£73	£73
Debtors To correct debtors for the two errors identified during our debtors testing (see page 12)	Dr Taxation and Non-specific Grant Income £66	Cr Short Term Debtors (£66) Dr General Fund £66	£66	£66
Management Identified Adjustments				
Short Term Creditors To reverse Council Tax Support Grant incorrectly included as a creditor	Dr Finance and Resources - Income £46	Dr Short Term Creditors £46 Cr General Fund (£46)	(£46)	(£46)
Useable Capital Receipts Initially all useable capital receipts were utilised to fund the redevelopment of Brocks Hill, however as part of the 23/24 this was replaced by borrowing to allow the capital receipts to be utilised to fund the restructuring that occurred in 2023/24	-	Dr Capital Adjustment Account £300 Cr Earmarked Reserves (£300)	-	-
Overall impact	**£896**	**£0**	**£896**	**(£193)**

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 11 Property, Plant and Equipment Audit Costs Vehicle, Plant & Equipment Additions (£209k) have been incorrectly included on the Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve line.	That the note is updated to correct the error	✓
Note 34 Audit Costs The Audit costs in the note do not reflect the Audit Fees charged for the year.	That the note is updated to reflect the actual audit costs charged.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
The auditor of Leicestershire County Pension Fund has reported two issues in respect of the estimated rate of return on investments used by the actuary in the IAS19 differed from the actual rate of return achieved by the pension fund and timing issues were identified in the valuation of pension fund assets. The net impact of these for the Council is an overstatement of the pension liability of £69k.	Cr Actuarial Gains / Losses on Pension Fund Assets and Liabilities (£69)	Dr Other Long Term Liabilities £69 Cr Pension Fund Reserve (£69)	(£69)	£0	Not material qualitatively or quantitatively and will be revisited as part of 2023/24 IAS 19 work.
Overall impact	**(£69)**	**£0**	**(£69)**	£0	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
The Council's MRP policy is not in line with statutory guidance. This has resulted in an under-provision for year of £53k and a total under-provision for the life of the policy of £162k.	Dr Net Cost of Services £162	Cr CAA £(162)	Dr Net Cost of Services £162	-	Not material qualitatively or quantitatively. Has now been resolved in 2022/23 (page 18).
Testing of existence of Council Dwellings identified one house that had been sold under the Right to Buy scheme but had not been removed from the asset register.	-	Dr CAA £49 Cr Council Dwellings £(49)	-	-	Amount is not material and has now been adjusted for in 2022/23.
Overall impact	**£162**	**£(162)**	**£!62**		

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee per Audit Plan	Proposed Final fee
Scale fee published by PSAA for 2022/23	£32,794	£32,794
Ongoing issues from 2020/21 not included in the scale fee		
Additional work on Value for Money (VfM) under new NAO Code	£12.500	£12.500
Increased audit requirements of revised ISA 540	£3,000	£3,000
Enhanced audit procedures on journals testing	£4,000	£4,000
Enhanced work regarding revaluations	£1,500	£1,500
Enhanced work regarding pensions	£1,500	£1,500
Ongoing issues from 2021/22		
None		
New issues for 2022/23		
Enhanced audit procedures for Payroll – Change of circumstances	£500	£500
Enhanced audit procedures for Collection Fund – reliefs testing	£750	£750
Increased audit requirements of revised ISA 315	£3,000	£3,000
Increased work in required due to the issues identified within this AFR and the number of adjustments required.		£5,000
Total audit fees (excluding VAT)	**£59,544**	**£64,544**

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing Benefit (Subsidy) Assurance Process	18,800	TBC
Certification of Pooling of Housing Capital Receipts return	10,000	TBC
Total non-audit fees (excluding VAT)	**£28,800**	**TBC**

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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